## Message Text

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INFO OCT-01 IO-13 ISO-00 STRE-00 AGRE-00 CEA-01 CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15 STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01 DOE-15 OIC-02 AF-10 ARA-10 EA-10 EUR-12 NEA-10 /168 W

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PASS STR ELECTRONICALLY

E.O. 11652: N/A
TAGS: ETRD, GATT
SUBJECT: GATT PANEL ON EXPORT COST INFLATION INSURANCE
(EII)

REF: GENEVA 10156

1. WE MET JULY 27 WITH GATT DDG PATTERSON AND KEY DELS TO DISCUSS FORMATION OF SUBJECT PANEL. UK AND FRENCH DELS POSED NEW CONDITIONS FOR PANEL MEMBERS THAT MAKE SELECTION OF PANEL EXTREMELY DIFFICULT. UK ARGUED THAT PANEL SHOULD BE MADE UP OF MAJORITY OF MEMBERS FROM THOSE COUNTRIES THAT SIGNED THE 1960 DECLARATION GIVING EFFECT TO PROVISIONS OF ARTICLE XVI:4. THEY ALSO ARGUED THAT THE PANEL SHOULD NOT HAVE MORE THAN ONE LATIN AMERICAN MEMBER ON IT. PREVIOUS CONDITIONS PLACED ON SELECTION OF PANEL MEMBERS WERE CANADIAN AND FINNISH INSISTENCE THAT MEMBERS BE FROM COUNTRIES THAT HAD NOT TAKEN A POSITION IN THE WORKING PARTY ON EII AND FRENCH LIMITED OFFICIAL USE

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DEMAND THAT THE PANEL BE COMPOSED OF FIVE MEMBERS.

2. WE ASKED PATTERSON TO READ OFF LIST OF COUNTRIES THAT HAD SIGNED 1960 DECLARATION, AND IT BECAME APPARENT THAT ONLY AUSTRIA AND NEW ZEALAND MET THE ABOVE CONDITIONS. WE SAID IT APPEARED TO US THAT THOSE COUNTRIES MAKING NEW CONDITIONS WERE SEEKING TO DELAY OR MAKE

IMPOSSIBLE THE SELECTION OF A PANEL, REMINDED OTHERS THAT PANEL MEMBERS SERVE IN THEIR INDIVIDUAL CAPACITY, . AND URGED OTHERS TO DROP RIDICULOUS CONDITIONS. UK ARGUED THAT CONDITION THAT MAJORITY OF MEMBERS BE FROM MEMBERS WHO HAD SIGNED 1960 DECLARATION WAS CONSISTENT WITH UK POSITION IN MTN ON HANDLING OF DISPUTES WITHIN MTN NEGOTIATED CODES. PATTERSON SAID, IF THIS CONDITION WAS TO BE MET ALONG WITH CONDITION THAT MEMBERS NOT BE FROM STATES THAT HAD EXPRESSED OPINIONS IN THE WORKING PARTY, THE PANEL COULD BE FORMED ONLY IF IT WERE REDUCED FROM 5 TO 3 MEMBERS. DELS THEN AGREED TO SEEK APPROVAL OF 3-MAN PANEL WITH AMB. KROYER OF ICELAND AS CHAIRMAN, AND SEGALLA OF AUSTRIA AND GRIEG OF NEW ZEALAND AS MEMBERS. WE, CANADA, JAPAN AND FINLAND ACCEPTED 3-MEMBER PANEL AS PROPOSED. BUT UK AND FRENCH DELS SAID THEY HAD TO PUT MATTER BACK TO CAPITALS.

3. PATTERSON, IN ASIDE AFTER MEETING, TOLD U.S. DEL HE THOUGHT THAT THE UK AND FRANCE WERE TRYING TO STALL THE FORMATION OF THE PANEL. HE SAID EXPERIENCE IN THIS CASE SHOWS WHAT INDIVIDUAL CPS CAN DO TO DELAY FORMATION OF PANELS WITHIN EXISTING GATT RULES. HE ARGUED THAT EII EXPERIENCE EMPHASIZES NEED FOR MTN TO DEVELOP UNAMBIGUOUS PROCEDURES ON DISPUTE SETTLEMENT. VANDEN HEUVEL

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